



April 21, 2006

**BY HAND-DELIVERY**

Ms. Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> floor  
Boston, MA 02110

Re: D.T.E. 99-60 - Fitchburg Gas and Electric Light Company d/b/a Unitil, Default Service Tariff Filing M.D.T.E. No. 137 for June 1, 2006

D.T.E. 05-29 - Fitchburg Gas and Electric Light Company, Transition Charge Tariff Filing M.D.T.E. Nos. 138-141 for June 1, 2006 pursuant to Settlement Agreement.

**Letter of Explanation**

Dear Ms. Cottrell:

Today, Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil") submitted its Default Service tariff rate filing, M.D.T.E. No. 137. This tariff is proposed to become effective on June 1, 2006. The tariff is based upon the results of Unitil's Request for Proposals ("RFP") for Default Service, which is being filed with the Department today under separate cover.

Also enclosed are Tariff Sheet Nos. 138-141 to implement Unitil's revised Transition Charge prices effective June 1, 2006.

Enclosed with this letter is a check in the amount of \$500.00 for the required filing fees.

As discussed in more detail in the RFP filing, Unitil sought fixed monthly pricing for 100 percent of its load requirements for its large customer group, rate class GD-3, for the three month period beginning June 1, 2006. In addition, Unitil sought fixed monthly pricing for its small customer group and its medium customer group for 50 percent of their respective load requirements for the twelve month period beginning June 1, 2006.

Unitil continues to plan to purchase Renewable Energy Certificates ("RECs") as a separate product from the market for this Default Service period, as it has in prior periods. For purposes of this filing, and based upon

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its analysis of the current REC market, Unitil has estimated the stand-alone price of RECs that would comply with the Renewable Energy Portfolio Standards ("RPS") to be \$53.25 per MWh.<sup>1</sup> This rate equates to \$0.00133 per kWh for 2006 when the Renewable Energy Portfolio Standard is 2.5 percent of load. This provides for compliance with 225 CMR 14.00. Unitil has included the estimates above in its proposed Default Service rates.

Unitil has used the same methodology applied to the winning bids for calculating retail rates as was used in its Default Service rate filing made with the Department on January 24, 2006 and approved on January 31, 2006. The proposed rates are summarized in Attachment 1, Page 1. As shown, the Variable Monthly Pricing Option charges differ by class and by month. The Fixed Pricing Option charges vary by class. Attachment 1, page 2 demonstrates the calculation of both the variable and fixed charges. The fixed charges are equal to the retail variable charges weighted by monthly kWh sales percentages based on a forecast of monthly kWh sales.

Attachment 1, page 2, shows the kWh sales forecast at the bottom of the page. The percentages shown on lines 10-13 are the ratios of the monthly amounts to the totals for the period June - November 2006 for the small and medium customer groups and for June - August 2006 for the large customer group. Consistent with prior filings, Unitil has continued to assume equal monthly usage as representative of expected usage patterns for the large general service class due to limited participation under Default Service in that class. Line 5 of Attachment 1, page 2 shows the Default Service Costs Adder of \$0.00104 per kWh approved in D.T.E. 03-88A-F. This adder is at retail and is applied to the sum of the wholesale prices and REC's after they are adjusted for distribution losses. Please note that the Default Service Costs Adder included in these proposed rates remains unchanged from that approved by the Department in DTE 03-88A-F. Unitil intends to make its annual reconciliation and rate filing for its Default Service Costs Adder and Base Rate Reduction, required pursuant to Section 2.7 of the Settlement Agreement in D.T.E. 03-88, on September 1, 2006. That filing will request approval of a proposed Default Service Costs Adder by October 16, 2006, for inclusion in new Default Service rates effective December 1, 2006.

Also, at this time, Unitil implements the increase to its uniform transition charge from \$0.01868 per kWh to \$0.02420 per kWh. Pursuant to an offer of settlement ("Settlement") approved by the Department in D.T.E. 05-29, the Company and the Attorney General agreed to reconvene to discuss a schedule by which the Company would raise its transition charge to the maximum of \$0.02420 per kWh as stipulated in Unitil's restructuring plan. Settlement at Article 2.9. Thus, on December 1, 2005, the Attorney General and the Company submitted a letter wherein they agreed that the current

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<sup>1</sup> As required by the Department's Order on Default Services in D.T.E. 02-40-B, issued on April 24, 2003, please see the RFP filing for a further discussion of Unitil's RPS compliance strategy.

transition charge of \$0.01868 per kWh will remain in place until May 31, 2006, and on June 1, 2006, the transition charge would increase to \$0.02420 per kWh for all classes of customers except the low-income class, which will increase to \$0.02093 per kWh. These changes are shown in the revised rate schedules D.T.E. Nos. 138-141 included herein.

The proposed rate changes represent a decrease to a 500 kWh typical residential customer on the Fixed Pricing Option of \$3.87 per month, or a 3.8 percent decrease versus rates currently in effect (see Attachment 2, page 1 of 18). Bills to regular general service customers will decrease from approximately 2.3% to 3.8% depending on usage and rate class. Bills to large general service customers will decrease approximately 0.5% depending on usage patterns. Unitil currently has 9 large general service customers on Default Service. A complete set of bill impacts is attached as Attachment 2, pages 1 through 18.

Attachment 3, pages 1 to 18, demonstrates the bill impacts due to the changes in Default Service rates only and is shown for informational purposes.

Large general service customers that are on competitive supply will see increases of approximately 3.2%-3.6% due to the increase in the transition charge. A small percentage of regular general service customers are on competitive supply, and will see bill increases of approximately 2.4%-3.0% due to the increase in the transition charge. For these calculations, the current default service price was used as a proxy for the competitive supply.

Unitil will continue to notify customers of the changes in the default service rates in compliance with the Order in D.T.E. 99-60-C using notices developed in conjunction with the default service education working group and the Department's Consumer Division. Unitil will also post its approved rates on its website and make them available via a toll free number at least 30 days in advance of June 1, 2006.

Pursuant to the Motion for Protective Treatment filed today under separate cover, Unitil seeks to protect from public disclosure the wholesale prices bid in response to its RFP. Accordingly, Unitil is filing the confidential original and one copy of the tariff sheets which contain the unredacted version of Attachment 1 with your office. Copies of the filing contain redacted versions of Attachment 1, which do not disclose the wholesale prices, have been provided to all other recipients unless otherwise noted.<sup>2</sup>

Please contact me should you have any questions concerning this matter.

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<sup>2</sup> Unitil is also providing complete copies of the filing containing the confidential information to the Attorney General (two copies) and the Division of Energy Resources (one copy), with whom Unitil has entered into Nondisclosure Agreements for this proceeding.

Very truly yours,



Gary Epler  
Senior Attorney

Enclosure

cc: Jeanne Voveris, Esquire, Hearing Officer  
Ronald LeComte, Director, Electric Power Division  
Kevin Brannelly, Director, Rates and Revenue Requirements  
Barry Perlmutter, Electric Power Division  
Alexander Cochis, Asst. Attorney General (2 confidential copies)  
Robert Sydney, General Counsel, Division of Energy Resources (1  
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D.T.E. 99-60 Service List